
Disposition of Prior Audit Recommendations

The following audit recommendations are from the Statewide Single Audit for Fiscal Years 1998, 1997, 1995, and 1994.

Recommendation

Disposition

Statewide Single Audit for Fiscal Year 1998

Department of Health Care Policy and Financing

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| 1 | The Department of Health Care Policy and Financing should prioritize the completion of its cost allocation plan and take the necessary steps to obtain approval from the federal Health Care Finance Administration for the plans for Fiscal Years 1995 through 1999. | Partially implemented. On June 23, 1999, the Department received the federal government's approval, through the Health Care Finance Administration (HCFA), of the Fiscal Year 1997 cost allocation plan. The Department has submitted a plan for Fiscal Year 1996. See current year Recommendation No. 2. |
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Department of Higher Education

University of Colorado

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| 2 | The University of Colorado should ensure procedures to calculate student financial aid refunds are in accordance with both the institutional and federal refund policies and are appropriately monitored. | Implemented. |
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Recommendation**Disposition****Fort Lewis State College**

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| 3 | Fort Lewis College should perform the procedures required by Dear Colleague Letter P-97-2 to have the funds reimbursed. These procedures involve having the College's independent auditor certify, via an attestation procedure, that the students were entitled to the Pell funds awarded and the submission of a Federal Pell Grant Program Increase Award Report by the College for the 97-98 award year. | Implemented. |
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University of Southern Colorado

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| 4 | The University of Southern Colorado should enhance the review process for Student Aid Report verification to ensure proper entry of changed information in the Student Aid Report. | Implemented. |
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University of Northern Colorado

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| 5 | The University of Northern Colorado's refund and repayment policies and calculation worksheets should be revised to properly reflect federal requirements. | Implemented. |
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Recommendation**Disposition****Department of Education**

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| 6 | <p>The Department of Education should strengthen its internal controls over subrecipient monitoring by:</p> <ul style="list-style-type: none">a. Determining which of its subrecipients are no longer subject to Single Audit requirements.b. Developing a formal plan for monitoring each subrecipient, particularly those that are no longer subject to the requirements of an annual Single Audit. | <p>Partially implemented. In our testing of major programs at the Department for Fiscal Year 1999, the Department appears to have established sufficient subrecipient monitoring procedures related to the two programs tested. However, the Department is not yet complete with its subrecipient monitoring process for other programs. The Grants Unit and School Finance Unit are in the process of evaluating data submitted on federal grants from Local Education Agencies (LEAs). The Department is still in the process of determining what information is needed from LEAs in order to establish an effective monitoring process. In addition, the Department is working with the eight BOCES to pilot test the submission of grant information electronically to the Department. We will continue our follow-up in Fiscal Year 2000.</p> |
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Recommendation**Disposition****Department of Higher Education****Colorado Student Loan Division**

- 7 The Colorado Student Loan Division should re-examine its internal reconciliation procedures to develop a system to prevent defaulted loan payment reporting errors from occurring in the future. Implemented.

University of Southern Colorado

- 8 The University of Southern Colorado should improve the process for Perkins loans to make it more efficient and to ensure compliance with U.S. Department of Education requirements as follows:
- a. The University should review the current process of changing borrower status and implement changes to effectively and efficiently keep borrower information current and accurate.
 - b. A system-generated comparison should be utilized to determine that all students reported as in school are registered for classes at the University or meet other eligibility requirements. This would ensure that tentative dates are updated in a timely manner.
- Partially implemented. The University has made progress in addressing these issues. During the current audit, only one instance was noted where the borrower information included an inaccurate repayment status. As the University is taking steps toward resolution of these issues, no repeat recommendation will be made in the current year. We will continue our follow-up in Fiscal Year 2000.
- 9 The University of Southern Colorado should improve the process for updating the student separation files to ensure timely compliance with federal regulations requiring notification to guarantors. Implemented.

Recommendation**Disposition****Trinidad State Junior College**

- 10 Trinidad State Junior College should develop a checklist that identifies all eligibility requirements. The checklist should be completed for each applicant before they are approved for financial aid and the funds are disbursed. In addition, Trinidad State Junior College should review the files for the remaining students which received Pell Grants in Fiscal Year 1998 to ensure they met all eligibility requirements under Federal Regulation 668.32. Implemented.

University of Northern Colorado

- 11 The University of Northern Colorado should add further review procedures to the computation of federal grant match and discontinue charging student fees to federal programs or using them as match. Implemented.

Colorado School of Mines

- 12 Colorado School of Mines through the Office of Research Services should continue to implement the procedures and controls necessary to ensure that all close-out reports and reimbursement requests are submitted as quickly as possible following the completion of a project. The Office of Research Services should concentrate on closing older projects without jeopardizing the timely close-out of current projects. Partially implemented. See current year Recommendation No. 38.

Department of Human Services

- 13 The Department of Human Services should develop and implement a formalized plan for on-site monitoring of county activities for the Temporary Assistance for Needy Families (TANF) program to ensure that federal and state requirements are met. Deferred. We will continue our follow-up in Fiscal Year 2000.

	Recommendation	Disposition
14	<p>The Department of Human Services should continue efforts to improve its fiscal management system for federal programs by:</p> <ul style="list-style-type: none">a. Implementing a method for identifying payments made for Electronic Benefit Transfer (EBT) programs by grant, requesting appropriate cash reimbursement in a timely manner, and tracking information linking specific disbursements to cash draws and cash receipts.b. Ensuring that future changes that affect its cash management and accounting process are included in planning efforts and incorporated into the overall grant management process.	Deferred. We will continue our follow-up in Fiscal Year 2000.
15	<p>The Department of Human Services should ensure that federal audit requirements for subrecipients of federal awards are met by:</p> <ul style="list-style-type: none">a. Identifying subrecipients that receive \$300,000 or more in federal awards from the Department.b. Obtaining and reviewing all required audit reports and following up on instances of noncompliance as needed.c. Determining whether the federal share of Electronic Benefit Transfer (EBT) cash payments is appropriately included in county Schedules of Expenditures of Federal Awards.d. Assessing and ensuring that departmental monitoring activities for counties are adequate under EBT, in cases where there may be a decrease in audit work performed on federal programs by independent auditors during county annual audits.	Implemented.

Recommendation**Disposition****Department of Public Health and
Environment**

- 16 The Department of Public Health and Environment should continue to improve its system of monitoring to determine that all subrecipients requiring audits are identified. In addition, funds need to be properly classified on the Schedule of Expenditures of Federal Awards. Implemented.

Department of Transportation

- 17 The Department of Transportation should more actively enforce the contractor payroll review requirements and work with prime and subcontractors to train them in proper payroll procedures. Deferred. The Department held additional payroll training programs for engineers from January through May of 1999. In June training was suspended due to time constraints of field personnel and turnover of Regional Equal Employment Opportunity (EEO) staff. Training resumed in October of 1999. Resident Engineers attend at their discretion, while Project Engineers and their assistants who are responsible for payroll compliance are required to attend. Training has been conducted in approximately 25 percent of the statewide residencies and is scheduled for the remaining residencies for November and December of 1999. We will continue our follow-up in Fiscal Year 2000.

	Recommendation	Disposition
18	The Department of Transportation should train project engineers in the purpose and requirements of the Form #280 and require its regional Equal Employment Opportunity (EEO) representatives to take an active role in monitoring the quantity, quality, and timeliness of forms that must be completed for each project.	Partially implemented. The Department has included the topic of equal employment opportunity and labor compliance verification in its payroll training. The regional EEO representatives have been informed of current deficiencies in this area. Plans for future modification of Form #280 will include distribution of the forms to the Design and Construction Group, who will monitor their completion. We will continue our follow-up in Fiscal Year 2000.

Statewide Single Audit for Fiscal Year 1997

Department of Health Care Policy and Financing

2	The Department of Health Care Policy and Financing should improve its management of accounts receivable by ensuring reconciliations are complete and performed in a timely manner and by further automating the reconciliation process.	Partially implemented. The Department currently performs reconciliations of accounts receivable balances monthly except for the federal due to – due from account.
3	The Department of Health Care Policy and Financing should improve its oversight of the collection of Medicaid overpayments by improving the tracking, reporting, and analysis of identified overpayments and using this information to aid county collection efforts.	Deferred until August 2000.

Recommendation**Disposition****Department of Higher Education****Colorado State University**

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| 4 | Colorado State University should implement procedures to ensure all charges to Sponsored Programs exceeding the \$1,000 threshold are reviewed and approved. | Implemented |
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Department of Human Services

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| 7 | The Department of Human Services Division of Disability Determination Services should review its procedures for purchasing personal services. This review should include: <ul style="list-style-type: none">a. Competitively bidding in areas where there are available providers to establish a qualified contractors list.b. Reviewing the current fee schedule for geographic areas where bids are not solicited, and standardizing procedures for rate adjustments.c. Ensuring compliance with federal and state regulations. | Implemented. |
| 9 | The Division of Vocational Rehabilitation should: <ul style="list-style-type: none">a. Examine the types of services it purchases and develop a process for competitively bidding those services that it is required to under the provisions of the State Procurement Code, State Fiscal Rules, and the Federal Common Rule.b. Work with the Division of Purchasing to ensure that its new procedures comply in all respects with the purchasing requirements and that they are using the most efficient methods possible to procure services. | Partially implemented.
Concerns remain regarding amounts paid to a provider. We will follow-up in Fiscal Year 2000. |

	Recommendation	Disposition
10	<p>The Division of Vocational Rehabilitation should:</p> <ul style="list-style-type: none">a. Develop a contract administration system, as required by the Federal Common Rule, which includes clear policies and procedures for contract monitoring, including the definition of staff responsible and clearly defined objectives and monitoring activities.b. Ensure that counselors' practices comply with these policies and procedures in an ongoing way.c. Monitor closely counselor performance in this area for at least the next six months.	Implemented.
Department of Natural Resources		
12	<p>The Department of Natural Resources should complete the review and correction of information on the report tracking system in a timely manner to ensure that schedules generated by the system contain correct due dates.</p>	Deferred. We will continue our follow-up in Fiscal Year 2000.
Department of Public Health and Environment		
13	<p>The Department of Public Health and Environment should continue to seek approval from the oversight federal agency for the statistical distribution system. In addition, the system should be implemented on a departmentwide basis.</p>	Implemented.

Recommendation**Disposition****Department of Higher Education****Fort Lewis College**

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| 21 | Fort Lewis College should continue its efforts to obtain credit for the Pell awards for FY'92-93 and FY'93-94 from the U.S. Department of Education. | Implemented. |
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Statewide Single Audit for Fiscal Year 1995**Department of Health Care Policy and Financing**

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| 31 | The Department of Health Care Policy and Financing should complete an analysis to determine if it is cost-beneficial to implement a system to calculate interest for the accounts receivable related to the drug rebate program. If the analysis results are positive, the Department should begin work to implement a system to calculate interest. | No longer applicable. Interest is part of the negotiated settlements with drug manufacturers. |
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Department of Higher Education**Board of Regents of the University of Colorado**

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| 36 | The University of Colorado should review how it can improve communication of its fiscal policies and procedures to academic units in conjunction with the installation of its new financial management system. | Implemented. |
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Recommendation**Disposition****Statewide Single Audit for Fiscal Year 1994****Department of Higher Education****State Historical Society**

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| 39 | The State Historical Society should strengthen its fiscal oversight of grant awards by adopting a risk-based monitoring approach which could include periodic on-site financial reviews or audits using standard internal control checklists. | Deferred. We will follow-up in a future performance audit. |
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Department of Human Services

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| 102 | The Department should continue its efforts to develop, document, implement, and maintain a comprehensive disaster recovery plan that includes: <ul style="list-style-type: none">a. Standards and departmentwide policies for recovery and backup of mainframe and Local Area Network data.b. Plans to maintain operations in the event of a disaster situation at the state department building or at any county department of social services. | Implemented. |
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Recommendation**Disposition**

The following recommendations are from the Statewide Financial Audit for the Fiscal Years 1998, 1997, 1996, 1995, and 1994.

Statewide Financial Audit for Fiscal Year 1998**State Controller's Office**

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| 1 | The State Controller's Office should provide additional training and assistance in areas where agencies are inconsistently reporting financial information that is used to prepare the State's financial statements. | Partially implemented. SCO has done work to clarify cash deposit reporting, stressed the importance of submitting adjustments, and revised various exhibits to provide better information. However, SCO still needs to follow-up with training issues and continue their work with CU to better classify revenue categories. We will continue our follow-up in Fiscal Year 2000. |
| 2 | The State Controller's Office should refine procedures to verify the correct coding of TABOR revenue received from enterprises that have changed in status from the prior year by analyzing transfers and reclassifying any misclassified transactions. | Implemented. |

Department of Corrections

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| 3 | The Department of Corrections should have the Pharmacy continue to work with the Accounting Department to develop an effective set of procedures and segregation of duties to help prevent drug misuse or theft. | Implemented. |
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Recommendation	Disposition
4 The Department of Corrections should implement procedures to identify and accrue all active project invoices on a timely basis. One method would be to maintain an activity log on all projects that tracks the date of last billing. This would help to identify potential missing invoices and allow for timely follow-up.	Implemented.
5 The Department of Corrections should implement a standard review procedure for detecting unreconciled accounts and improper balances. This could be a peer-to-peer review or a supervisor review.	Implemented.
Department of Education	
6 The Department of Education should strengthen its internal controls over subrecipient monitoring by: a. Determining which of its subrecipients are no longer subject to Single Audit requirements. b. Developing a formal plan for monitoring each subrecipient, particularly those that are no longer subject to the requirements of an annual single Audit.	Partially implemented. In our testing of major programs at the Department for Fiscal Year 1999, the Department appears to have established sufficient subrecipient monitoring procedures related to the two programs tested. However, the Department is not yet complete with its subrecipient monitoring process for other programs. The Grants Unit and School Finance Unit are in the process of evaluating data submitted on federal grants from Local Education Agencies (LEAs). The Department is still in the process of determining what information is needed from LEAs in order to establish an effective monitoring process. In addition, the Department is working with the eight BOCES to pilot test the submission of grant information electronically to the Department.

Recommendation**Disposition**

- 7 The Department of Education should complete the implementation of its disaster recovery plan for the HP 3000 system by:
- a. Obtaining funding for and purchasing a backup system.
 - b. Testing the backup system regularly after it is placed in operation.
- Partially implemented. The necessary machinery has been acquired. The items that still need addressing, and for which funding has been received for Fiscal Year 2000, are:
- a. Identification of key users and establishing a notification process.
 - b. Development of recovery procedures for hardware, system software, applications and databases.
 - c. Establishment of procedures to provide for upgrading the plan in accordance with upgrades of the operating system and system software.

Department of Health Care Policy and Financing

- 8 The Department of Health Care Policy and Financing should prioritize the completion of its cost allocation plan and take the necessary steps to obtain approval from the federal Health Care Finance Administration for the plans for Fiscal Years 1995 through 1999.
- Partially implemented. On June 23, 1999, the Department received the federal government's approval, through the Health Care Finance Administration (HCFA), of the Fiscal Year 1997 cost allocation plan. The Department has submitted a plan for Fiscal Year 1996. See current Year Recommendation No. 2.

Recommendation**Disposition****Department of Human Services**

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| 9 | The Department of Human Services should develop and implement a formalized plan for on-site monitoring of county activities for the Temporary Assistance for Needy Families (TANF) program to ensure that federal and state requirements are met. | Deferred. We will continue our follow-up in Fiscal Year 2000. |
| 10 | <p>The Department of Human Services should continue efforts to improve its fiscal management system for federal programs by:</p> <ul style="list-style-type: none">a. Implementing a method for identifying payments made for Electronic Benefit Transfer (EBT) programs by grant, requesting appropriate cash reimbursement in a timely manner, and tracking information linking specific disbursements to cash draws and cash receipts.b. Ensuring that future changes that affect its cash management and accounting process are included in planning efforts and incorporated into the overall grant management process. | Deferred. We will continue our follow-up in Fiscal Year 2000. |

Recommendation**Disposition**

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| 11 | <p>The Department of Human Services should ensure that federal audit requirements for subrecipients of federal awards are met by:</p> <ul style="list-style-type: none">a. Identifying subrecipients that receive \$300,000 or more in federal awards from the Department.b. Obtaining and reviewing all required audit reports and following up on instances of the noncompliance as needed.c. Determining whether the federal share of Electronic Benefit Transfer (EBT) cash payments is appropriately included in county Schedules of Expenditures of Federal Awards.d. Assessing and ensuring that departmental monitoring activities for counties are adequate under EBT, in cases where there may be a decrease in audit work performed on federal programs by independent auditors during county annual audits. | Implemented. |
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Recommendation	Disposition
<p>12 The Department of Human Services should improve controls over fixed assets to ensure all fixed assets are safeguarded and appropriately recorded on agency records by:</p> <ul style="list-style-type: none"> a. Improving central oversight and coordination over the fixed asset reconciliation process. This will include ensuring that timely, periodic reconciliations between fixed asset expenditures and additions to fixed assets are completed on an agency and departmentwide basis and that identified errors are corrected on the State's accounting records. b. Enforcing the use of standardized procedures for entering fixed assets on COFRS when fixed assets are purchased by one agency for the use and custody of another agency. c. Resolving items designated as "unlocated" during the Department's June 30, 1998, physical inventory for its Executive Director's Office agency. 	<p>Partially implemented. During Fiscal Year 1999, the Department made substantial progress in its fixed asset reconciliation process. However, problems regarding controls over fixed assets were noted in the Fiscal Year 1999 financial audit of the Colorado State Veterans' Nursing Home in Florence. The audit recommended that the Home perform an annual physical inventory of property and equipment, reconcile property and equipment records with the general ledger on an annual basis, and adopt procedures for the tagging of the Home's equipment. See Recommendation No. 1 of the Fiscal Year 1999 Financial and Compliance Audit of the Colorado State Veterans' Nursing Home of Florence, Audit Report No. 1201.</p>

Judicial Department

<p>13 The Judicial Department should strengthen internal controls over the receipt and recording of revenues at the court level by enhancing segregation of duties and ensuring that supervisory reviews are performed and documented. Also, the Judicial Department should monitor the effectiveness of these internal controls through the internal audit function.</p>	<p>Implemented.</p>
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	Recommendation	Disposition
14	<p>The Judicial Department should:</p> <ul style="list-style-type: none">a. Resolve the recurring differences between ICON and the bank reconciliations immediately.b. Promulgate a standard write-off policy for outstanding items and ensure that all courts are following the policy to create uniformity of accounting policies between the various courts.c. Ensure that a person independent of the cash receipts function receives and reconciles the bank statements in a timely manner at all of the courts.	Implemented.
15	The Judicial Department should reduce the holding period for payments made by personal check.	Implemented.
16	The Judicial Department should ensure that the persons responsible for entering the amounts due are independent of the cash receipts function at all of the courts. If individual courts cannot segregate these duties, other compensating controls will need to be developed.	Implemented.
17	In light of the internal control findings noted during the comprehensive review of cash handling procedures, the State Court Administrator's Office needs to develop standard cash handling procedures to be used at all courts. As these standard procedures are developed, it may be necessary to develop two sets of standards, one for the larger courts, and then modified procedures for the smaller courts.	Implemented.
18	The Judicial Department should consolidate their bank accounts and deposit them with the State Treasury's pooled account to the greatest extent legally possible.	Deferred. The Department will research this with State Treasury in hopes of implementation in Fiscal Year 2001.
19	The Judicial Department should obtain the actual payroll information for all employees within the Department when calculating the compensated absence liability.	Implemented.

	Recommendation	Disposition
20	The Judicial Department needs to ensure a physical inventory count is performed at each court location annually as required by the Fiscal Procedures manual.	Implemented.
Department of Natural Resources		
21	The Department of Natural Resources should identify goods and services that could be purchased in volume through competitive bids. For those goods and services that are identified as potentially exceeding the purchasing thresholds, the Department should obtain the necessary documented quotes or bids as required by the State Procurement Code.	Deferred. As projects are in progress to look at purchasing on a statewide basis, we will defer follow-up to consider the results of the work.
Division of Wildlife		
22	<p>The Division of Wildlife should reconcile sales recorded in the CORIS inventory module to license revenue recorded on the State's accounting system by:</p> <ul style="list-style-type: none">a. Designating knowledgeable representatives from the accounting and license inventory sections to determine the system differences for recording license revenue between CORIS and the State's accounting system, and to record any necessary adjustments to either system.b. Designating information system staff to modify the inventory system to address identified differences, as needed.c. Developing procedures to ensure that the two systems are reconciled at least annually.	Not implemented. The Department anticipates implementation to be complete in December 1999. We will continue our follow-up in Fiscal Year 2000.

	Recommendation	Disposition
23	The Division of Wildlife should improve hunting and fishing license controls by:	
	a. Reducing excess inventories of licenses to prevent waste.	Not implemented. We will continue our follow-up in Fiscal Year 2000.
	b. Restricting access to license inventories to improve security.	Implemented.
	c. Tracking void licenses separately to identify potential problems.	Not implemented. We will continue our follow-up in Fiscal Year 2000.
	d. Recording refunds on CORIS to improve the recording of license statistics.	Partially implemented. We will continue our follow-up in Fiscal Year 2000.
24	The Division of Wildlife should improve grant management and reduce unspent grant balances by:	
	a. Considering the impact of budget decisions on future federal grant funding and coordinate with grant coordinators to minimize the impact.	Implemented.
	b. Monitoring grant expenditures during the grant period.	Implemented.
	c. Encouraging progress billings from Division contractors.	Deferred. We will continue our follow-up in Fiscal Year 2000.
	d. Ensuring that Division contracts do not extend beyond supporting federal grant periods.	Deferred. We will continue out follow-up in Fiscal Year 2000.

Recommendation

Disposition

Oil and Gas Conservation Commission

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| 25 | The Oil and Gas Conservation Commission should: | Implemented. |
| | <ul style="list-style-type: none"> a. Compile and maintain a complete and accurate record of cash reclamation deposits containing, at a minimum, the name and bond amount for each depositor. b. Reconcile internal cash bond records to the State's accounting system and investigate discrepancies on a monthly basis. The reconciliation should be performed by an individual who does not input information onto the State's accounting system and who is not involved with compiling or updating the cash bond records. c. Determine the cause of the existing discrepancies and make adjustments as necessary. | |
| 26 | The Oil and Gas Conservation Commission should: | |
| | <ul style="list-style-type: none"> a. Develop procedures to legally protect the certificates of deposit and ensure that the certificates are properly assigned to the State. b. Ensure that all deposits are in compliance with statutory and other legal requirements as expeditiously as possible. At a minimum, take action to ensure that short-term certificates are moved to eligible public depositories on their next maturity date and develop a plan to prudently address any long-term certificates. c. Periodically confirm the amounts held by the financial institutions. Inform Treasury of any changes and update the accounting records, as applicable. | <p>Implemented.</p> <p>Deferred. The Department is still in the process of moving CD's to eligible public depositories. We will continue our follow-up in Fiscal Year 2000.</p> <p>Implemented.</p> |

Recommendation**Disposition****Division of Minerals and Geology**

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| 27 | The Division of Minerals and Geology should ensure that all deposits are in compliance with statutory and other legal requirements as expeditiously as possible. At a minimum, the Division should take action to ensure that short-term certificates are moved to eligible public depositories on their next maturity date, and develop a plan to prudently address any long-term certificates. | Deferred. The Department is still in the process of moving CD's to eligible public depositories. We will continue our follow-up in Fiscal Year 2000. |
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Department of Personnel

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| 28 | The Department of Personnel d.b.a. General Support Services should establish procedures to monitor compliance with annual performance evaluation and supervisor sanction provisions of Section 24-50-118, C.R.S. The Department should then report the results of its monitoring to the Joint Budget Committee as required by statute. | Deferred. This recommendation was not anticipated to be implemented until December 31, 1999. |
| 29 | The Department of Personnel d.b.a. General Support Services should include a requirement for an independent auditor's report on the processing of the State's Deferred Compensation Plan transactions in the contract with the Plan's administrator or establish procedures to document and test the administrator's internal controls over the processing and reporting of Plan transactions beginning with Fiscal Year 1999. | Deferred. This recommendation will be implemented with a new Request For Proposals, effective July 1, 2000. The Request For Proposals will include a requirement for an annual SAS 70 report. |
| 30 | The Department of Personnel d.b.a. General Support Services should improve controls over Central Collections' internal collection system by:

a. Performing a complete reconciliation between the State's accounting system and the internal collection system on a monthly basis.

b. Requiring that additional password protection be implemented by employees to regain access to the internal collection system after a few minutes of idle time. | Deferred. We will continue our follow-up in Fiscal Year 2000. |

Recommendation**Disposition**

- 31 The Department of Personnel d.b.a. General Support Services should develop, implement, and enforce procedures for the deposit of all monies and for the update of the accounts receivable system in a timely manner at Telecommunications. Deferred. We will continue our follow-up in Fiscal Year 2000.

Department of Public Health and Environment

- 32 The Department of Public Health and Environment should continue to improve its system of monitoring to determine that all subrecipients requiring audits are identified. In addition, funds need to be properly classified on the Schedule of Expenditures of Federal Awards Implemented.

Department of Public Safety

- 33 The Department of Public Safety should ensure that all purchases are accurately recorded on both the State's accounting system and the internal inventory system records. In addition, the Department should reconcile the fixed asset records between the two systems and conduct a physical count of inventory closer to fiscal year-end. Implemented.
- 34 The Department of Public Safety should obtain and review TOP SECRET violation reports to identify potential security violations and attempts to gain access to information systems and data. Implemented.

Department of Revenue

- 35 The Department of Revenue should institute a system of supervisory reviews of Property Tax/Rent/Heat Rebates filed under both the age and disability criteria in addition to the new computerized disability verification system. Implemented.

Recommendation**Disposition****Department of State**

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| 36 | The Secretary of State should complete performance evaluations for every employee annually in compliance with the law. The legally prescribed disciplinary actions should be taken when performance evaluations are not completed in a timely manner. | Implemented. |
| 37 | The Central Indexing System Board should determine and communicate to the counties and state agencies involved as to whose responsibility it is to record the purchases of fixed assets used to carry out the intended purpose of the Central Indexing System. They should also assess their responsibility for monitoring those records. | Implemented. |
| 38 | The Secretary of State should establish additional internal controls by:

a. Performing and documenting timely reconciliations for fixed assets, payroll, and accounts payable activity.

b. Performing additional quarterly or monthly analytical procedures to ensure that errors are detected and corrected before year-end close. |

Partially implemented. Internal controls for accounts payable implemented, additional internal controls for fixed assets and payroll not implemented. See current year recommendation No. 21.

Not implemented. Current year recommendation No. 21 addresses this issue adequately. |

Recommendation**Disposition****Department of Transportation**

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| 39 | <p>The Department of Transportation should more actively enforce the contractor payroll review requirements and work with prime and subcontractors to train them in proper payroll procedures.</p> | <p>Deferred. The Department held additional payroll training programs for engineers from January through May of 1999. In June training was suspended due to time constraints of field personnel and turnover of Regional Equal Employment Opportunity (EEO) staff. Training resumed in October of 1999. Resident Engineers attend at their discretion, while Project Engineers and their assistants who are responsible for payroll compliance are required to attend. Training has been conducted in approximately 25 percent of the statewide residencies and is scheduled for the remaining residencies for November and December of 1999. We will continue our follow-up in Fiscal Year 2000.</p> |
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	Recommendation	Disposition
40	The Department of Transportation should train project engineers in the purpose and requirements of the Form #280 and require its regional EEO representatives to take an active role in monitoring the quantity, quality, and timeliness of forms that must be completed for each project.	Partially implemented. The Department has included the topic of equal employment opportunity and labor compliance verification in its payroll training. The regional EEO representatives have been informed of current deficiencies in this area. Plans for future modification of Form #280 will include distribution of the forms to the Design and Construction Group, who will monitor their completion. We will continue our follow-up in Fiscal Year 2000.
41	The Department of Transportation should complete signature authorization forms within the time frame specified above and establish procedures to use these forms in a selective monitoring of signature controls over the authorization process.	Implemented.

Statewide Financial Audit for Fiscal Year 1997

Department of Agriculture

1 Colorado State Fair

The State Fair should establish controls over fixed assets that include:

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| a. Developing and implementing policies and procedures for the tagging of fixed assets. | Implemented. |
| b. Providing appropriate training and support to ensure adequate financial management of the fixed assets. | Implemented. |

Recommendation**Disposition****Department of Health Care Policy and
Financing**

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| 5 | The Department of Health Care Policy and Financing should improve its management of accounts receivable by ensuring reconciliations are complete and are performed in a timely manner and by further automating the reconciliation process. | Partially implemented. The Department currently performs reconciliations of accounts receivable balances monthly except for the federal due to - due from account. |
| 6 | The Department of Health Care Policy and Financing should improve its oversight of the collection of Medicaid overpayments by improving the tracking, reporting, and analysis of identified overpayments and using this information to aid county collection efforts. | Deferred until August 2000. |

Department of Human Services

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| 9 | The Department of Human Services Division of Disability Determination Services should review its procedures for purchasing personal services. This review should include:

a. Competitively bidding in areas where there are available providers to establish a qualified contractors list.

b. Reviewing the current fee schedule for geographic areas where bids are not solicited, and standardizing procedures for rate adjustments.

c. Ensuring compliance with federal and state regulations. | Implemented. |
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Judicial Department

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| 10 | The Judicial Department should develop procedures to ensure the completion of performance evaluations for all employees, including centralized monitoring of the process. | Implemented. |
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Recommendation**Disposition****Supreme Court Grievance Committee**

- 11 The Supreme Court Grievance Committee should: Implemented.
- a. Review the Department's Fiscal Rules so that requirements, such as the requirement to complete an annual inventory, are met.
 - b. Develop policies and procedures to reconcile their internal records to the State's accounting system as a verification that the State's system is adequately supported.
 - c. Review procedures for the preparation of year-end exhibits, institute a review process, and obtain training when necessary to ensure that the exhibits are completed timely and accurately.

Department of Natural Resources

- 14 The Department should establish departmentwide policies and procedures for processing each federal grant from application through completion. Such policies and procedures should include: Deferred. The Department is still in the process of implementing this recommendation. We will continue our follow-up in Fiscal Year 2000.
- a. The coordination and communication between program and accounting staff.
 - b. Follow up on problems with grants such as determining the reasons for not being reimbursed by the federal government in a timely manner.
- 15 The Department of Natural Resources should complete the review and correction of information on the report tracking system in a timely manner to ensure that schedules generated by the system contain correct due dates. Deferred. We will continue our follow-up in Fiscal Year 2000.

Recommendation**Disposition****Division of Wildlife**

- 18 The Division should improve the controls over its inventory by developing comprehensive written policies and implementing procedures to:
- a. Maintain perpetual records that account for inventory transactions including items that are purchased, sold, and given away.
- b. Ensure consistency in recording all items for sale as inventory in the State's accounting system in the applicable fund.
- c. Review and periodically write off obsolete inventory in the State's accounting system.
- d. Evaluate the need to include the merchandise located in the service centers as inventory based on the State Controller's guidelines and management's needs.
- Deferred. The Department plans implementation in Fiscal Year 2000. We will continue our follow-up in Fiscal Year 2000.

Department of Public Health and Environment

- 20 The Department of Public Health and Environment should continue to seek approval from the oversight federal agency for the statistical distribution system. In addition, the system should be implemented on a departmentwide basis.
- Implemented.

	Recommendation	Disposition
22	The Department of Public Health and Environment should evaluate the current time-and-effort system in order to obtain information needed in a timely manner to manage expenditure levels and prepare billings.	Partially implemented. The Department has determined a new time-and-effort system is necessary and has submitted a budget request to fund the new system as part of its Fiscal Year 2001 Budget. The Governor's Office of State Planning and Budgeting has approved this request, which will now be forwarded to the Joint Budget Committee of the General Assembly.
23	The Department of Public Health and Environment should develop a comprehensive disaster recovery plan. This plan should provide instructions on how to assess the risk of loss of applications and how to implement recovery functions for significant computer applications.	Deferred. The Department plans to develop a plan once Year 2000 issues are completed.

Department of Revenue

24	The Department should perform a reconciliation of the EFT receipts account on a regular basis in order for management to gain assurance that all EFT monies received are credited properly to the taxpayers' accounts in a timely manner, and are accurately reflected in the financial statements.	Implemented.
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Department of Higher Education

Colorado Historical Society

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The Colorado Historical Society should review TOP SECRET violation reports or implement alternative procedures for monitoring information system security violations.	Partially implemented. Although the Historical Society is obtaining the reports, they are still in the process of developing a review. We will continue our follow-up in Fiscal Year 2000.
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Recommendation**Disposition****Department of Natural Resources**

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| 16 | The Department of Natural Resources should strengthen management controls over the processing and review of payment voucher transactions to prevent vendor payment errors. | Deferred. The Department is in the process of implementing internal reviews. We will continue our follow-up in Fiscal Year 2000. |
| 17 | The Department of Natural Resources should coordinate the efforts of all parties who perform Park pass reconciliation tasks so that reconciliations are completed on an annual basis. This should include establishing a timetable for completion of the different phases of the reconciliation. | Implemented. |

Department of Revenue

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| 30 | The Department of Revenue's Tax Conferee Section should improve procedures for estimating fiscal year-end receivables and payables. The procedures should include review of the assumptions and resulting estimates by legal counsel or management, as applicable. The Department should also compare the estimates with the actual amount collected or paid during the subsequent year in order to evaluate the estimating process. | Implemented. |
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Statewide Financial Audit for Fiscal Year 1995**Department of Health Care Policy and
Financing**

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| 22 | The Department of Health Care Policy and Financing should complete an analysis to determine if it is cost-beneficial to implement a system to calculate interest for the accounts receivable related to the drug rebate program. If the analysis results are positive, the Department should begin work to implement a system to calculate interest. | No longer applicable. Interest is part of the negotiated settlements with drug manufacturers |
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Recommendation**Disposition**

The following audit recommendation is from a prior financial and compliance audit report for the Department of Human Services and the disposition of this recommendation as of November 1999. (Note: Audit recommendations prior to Fiscal Year 1995 were addressed to either the Department of Social Services or the Department of Institutions.)

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| 102 | The Department should continue its efforts to develop, document, implement, and maintain a comprehensive disaster recovery plan that includes: | Implemented. |
| | a. Standards and departmentwide policies for recovery and backup of mainframe and Local Area Network data. | |
| | b. Plans to maintain operations in the event of a disaster situation at the state department building or at any county department of social services. | |